

ESG GLOBAL IMPACT CAPITAL INC.

(formerly Block One Capital Inc.)

Consolidated Financial Statements

Years Ended August 31, 2020 and 2019

(Expressed in Canadian dollars)

To the Shareholders of ESG Global Impact Capital Inc. (formerly Block One Capital Inc.):

Opinion

We have audited the consolidated financial statements of ESG Global Impact Capital Inc. (formerly Block One Capital Inc.) and its subsidiary (the "Company"), which comprise the consolidated statement of financial position as at August 31, 2020, and the consolidated statements of operations and comprehensive loss, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at August 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a negative operating cash flow of \$271,690 for the year ended August 31, 2020 and had an accumulated deficit of \$15,603,376 as at August 31, 2020. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Matter

The financial statements for the year ended August 31, 2019 were audited by another auditor who expressed an unmodified opinion on those financial statements on December 27, 2019.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Jenny Lee.

Vancouver, British Columbia
December 29, 2020

MNP LLP

Chartered Professional Accountants

ESG GLOBAL IMPACT CAPITAL INC.

(formerly Block One Capital Inc.)

Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

	August 31, 2020 \$	August 31, 2019 \$
Assets		
Current assets		
Cash	932,982	1,037,369
Investments (Note 3)	3,375,837	910,820
Amounts receivable	31,932	23,075
Loans receivable (Note 5)	546,700	253,014
Prepaid expenses	33,590	57,761
	4,921,041	2,282,039
Investment in mineral properties (Note 4)	6,388,000	-
Total assets	11,309,041	2,282,039
Liabilities		
Current liabilities		
Bank indebtedness	8,180	-
Accounts payable and accrued liabilities	203,448	160,797
Notes payable (Note 6)	204,925	209,254
Due to related party (Note 7)	11,500	-
Total liabilities	428,053	370,051
Shareholders' equity		
Share capital	18,366,592	17,819,877
Share-based payment reserve	1,729,772	1,492,522
Preferred shares	6,388,000	-
Deficit	(15,603,376)	(17,400,411)
Shareholders' equity	10,880,988	1,911,988
Total liabilities and shareholders' equity	11,309,041	2,282,039

Nature of operations and continuance of business (Note 1)

Approved for issuance on behalf of the Board of Directors on December 29, 2020:

/s/ 'David Berg'

David Berg, Director

/s/ 'Christopher Cherry'

Christopher Cherry, Director

(The accompanying notes are an integral part of these consolidated financial statements)

ESG GLOBAL IMPACT CAPITAL INC.

(formerly Block One Capital Inc.)

Consolidated Statements of Operations and Comprehensive Loss

(Expressed in Canadian dollars)

	Year ended August 31, 2020 \$	Year ended August 31, 2019 \$
Interest revenue	32,200	25,793
Expenses		
Consulting fees (Note 7)	132,577	530,595
General and administrative	19,364	51,179
Investor relations	74,349	38,651
Professional fees (Note 7)	141,601	78,936
Share-based payments (Notes 7 and 10)	207,231	–
Travel (Note 7)	–	185,574
Total expenses	575,122	884,935
Loss before other income (expense)	(542,922)	(859,142)
Other income (expense)		
Adjustments to fair value of investments (Note 3)	3,266,409	(348,432)
Impairment of investments (Note 3)	–	(813,960)
Interest expense	(15,181)	(15,000)
Loss on sale of investments (Note 3)	(1,272,184)	(1,141,858)
Write-down of accounts payable	3,413	27,104
Recapture (write-down) of loans (Note 3 and 5)	357,500	(660,394)
Total other income (expense)	2,339,957	(2,952,540)
Net income (loss) and comprehensive income (loss) for the year	1,797,035	(3,811,682)
Earning (Loss) per share		
Basic (Note 8(d))	0.08	(0.17)
Diluted (Note 8(d))	0.07	(0.17)
Weighted average number of shares outstanding		
Basic (Note 8(d))	23,881,391	22,182,761
Diluted (Note 8(d))	25,455,956	22,182,761

(The accompanying notes are an integral part of these consolidated financial statements)

ESG GLOBAL IMPACT CAPITAL INC.

(formerly Block One Capital Inc.)

Consolidated Statements of Changes in Equity

(Expressed in Canadian dollars)

	Share capital		Share-based payment reserve \$	Share subscriptions receivable \$	Preferred shares \$	Deficit \$	Total shareholders' equity \$
	Number of shares	Amount \$					
Balance, August 31, 2018	22,182,761	17,819,877	1,492,522	(200,000)	–	(13,588,729)	5,523,670
Share subscriptions received	–	–	–	200,000	–	–	200,000
Net loss for the year	–	–	–	–	–	(3,811,682)	(3,811,682)
Balance, August 31, 2019	22,182,761	17,819,877	1,492,522	–	–	(17,400,411)	1,911,988
Shares issued for cash	5,000,000	350,000	–	–	–	–	350,000
Shares issued for warrant exercise	2,285,000	228,500	–	–	–	–	228,500
Share issue cost - cash	–	(1,766)	–	–	–	–	(1,766)
Share issue cost - warrants	–	(30,019)	30,019	–	–	–	–
Fair value of stock options	–	–	207,231	–	–	–	207,231
Preferred shares	–	–	–	–	6,388,000	–	6,388,000
Net income for the year	–	–	–	–	–	1,797,035	1,797,035
Balance, August 31, 2020	29,467,761	18,366,592	1,729,772	–	6,388,000	(15,603,376)	10,880,988

(The accompanying notes are an integral part of these consolidated financial statements)

ESG GLOBAL IMPACT CAPITAL INC.

(formerly Block One Capital Inc.)

Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

	Year ended August 31, 2020 \$	Year ended August 31, 2019 \$
Operating activities		
Net income (loss) for the year	1,797,035	(3,811,682)
Items not involving cash:		
Adjustments to fair value of investments	(3,266,409)	348,432
Bad debt expense	13,341	–
Finance cost	15,181	–
Finance income	(32,200)	–
Foreign exchange loss	5,437	–
Impairment of investments	–	813,960
Loss on sale of investments	1,272,184	1,141,858
Shares for services	–	200,000
Share-based payments	207,231	–
Sale of investments for services	–	70,000
Write-down of accounts payable	(3,413)	(27,104)
Recapture of loan receivable in common shares	(275,500)	–
Write-down of loans and interest receivable	–	660,394
Changes in non-cash operating working capital:		
Amounts receivable	(8,857)	3,390
Prepaid expenses	10,830	(32,513)
Accounts payable and accrued liabilities	(18,050)	(37,704)
Due to related party	11,500	(26,425)
Net cash used in operating activities	(271,690)	(697,394)
Investing activities		
Acquisition of investments	(1,604,195)	(1,909,838)
Advances for loans receivable	(268,686)	(250,000)
Proceeds from repayments of loans receivable	–	854,593
Proceeds from sale of investments	1,455,270	868,537
Net cash used in investing activities	(417,611)	(436,708)
Financing activities		
Bank indebtedness	8,180	–
Proceeds from issuance of common shares and share subscriptions	576,734	–
Net cash provided by financing activities	584,914	–
Change in cash	(104,387)	(1,134,102)
Cash, beginning of year	1,037,369	2,171,471
Cash, end of year	932,982	1,037,369
Non-cash investing and financing activities:		
Acquisition of investments in exchange for loan receivable	275,500	266,000
Acquisition of investment in mineral properties	6,388,000	–

(The accompanying notes are an integral part of these consolidated financial statements)

ESG GLOBAL IMPACT CAPITAL INC.

(formerly Block One Capital Inc.)

Notes to the Consolidated Financial Statements

Years ended August 31, 2020 and 2019

(Expressed in Canadian dollars)

1. Nature of Operations and Going Concern

ESG Global Impact Capital Inc. (the "Company") was incorporated on February 10, 2010 pursuant to the Canada Business Corporations Act and was continued under the Business Corporations Act (British Columbia) on February 14, 2017. The Company completed its initial public offering ("IPO") on December 7, 2010, and is listed on the TSX-V under the symbol "ESGW". On April 24, 2020, the Company changed its name from Block One Capital Inc. to ESG Global Impact Capital Inc. and the Company consolidated the issued and outstanding shares of the Company on a one new share for three old share basis resulting in an outstanding shares of 22,182,761. The share consolidation affects all issued and outstanding common shares, options and warrants. All information relating to basic and diluted earnings per share, issued and outstanding common shares, share options and warrants, and per share amounts in these consolidated financial statements have been adjusted retrospectively to reflect the share consolidation.

The Company's stated business goal is to build a portfolio of investments, with a view to participating in income and capital growth from the ultimate sale or other disposal of those investments.

These consolidated financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. During the year ended August 31, 2020, the Company used cash of \$271,690 for operating activities. As at August 31, 2020, the Company has an accumulated deficit of \$15,603,376 (2019 - \$17,400,411). The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management is of the opinion that sufficient working capital will be obtained from external sources to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms that are suitable to the Company. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

COVID-19

In March 2020, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. It is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

2. Significant Accounting Policies

(a) Statement of Compliance, Basis of Presentation and Principles of Consolidation

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

These financial statements have been prepared on a historical cost basis, except for certain investments in equity securities and certain assets, each of which are measured at fair value as determined at each reporting date. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. These financial statements are presented in Canadian dollars, which is the Company's functional currency.

These consolidated financial statements include the financial statements of the Company and Soilgenic Nutrients Inc. a subsidiary wholly owned by the Company. All intercompany transactions have been eliminated in these consolidated financial statements. Subsidiary is fully consolidated from the date on which control is obtained by the Company and is subsequently deconsolidated from the consolidated financial statements on the date that control ceases.

ESG GLOBAL IMPACT CAPITAL INC.

(formerly Block One Capital Inc.)

Notes to the Consolidated Financial Statements

Years ended August 31, 2020 and 2019

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(b) Application of New IFRS

IFRS 16 Leases

On January 13, 2016, the IASB issued IFRS 16 Leases. IFRS 16 standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. The new standard is effective for annual periods beginning on or after January 1, 2019. The Company adopted IFRS 16 from the annual period starting from September 1, 2019 and there is no impact from the adoption of IFRS 16 on the Company's consolidated financial statements.

IFRIC 23 Uncertainty over Income Tax Treatments

In June 2017, the International Accounting Standards Board (IASB) issued a new International Financial Reporting Interpretations Committee (IFRIC) interpretation, incorporated into Part I of the CPA Canada Handbook – Accounting by the Accounting Standards Board (AcSB) in September 2017, to specify how to reflect the effects of uncertainty in accounting for income taxes. IAS 12 Income Taxes provides requirements on the recognition and measurement of current or deferred income tax liabilities and assets. However, it does not provide a specific requirement for the accounting for income tax when the application of tax law to a particular transaction or circumstance is uncertain. As a result, the interpretation aims to reduce the diversity in how entities recognise and measure a tax liability or tax asset when there is uncertainty over income tax treatments. The new interpretation is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted. The Company adopted IFRIC 23 from the annual period starting from September 1, 2019. Management has concluded that there is no impact on the adoption of this guidance because there is no significant uncertainty in accounting for income taxes of the Company.

(c) Use of Estimates and Judgments

The preparation of these financial statements in conformity with IFRS requires the Company's management to make judgments, estimates, and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues, and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Estimates

Collectability of amounts receivable and loans receivable

The Company reviews the accounts receivable and loans receivable balances on a regular basis and estimates the likelihood of collection and records allowance for estimated losses. Management bases its estimates on historical experience and other relevant factors.

Fair value of investment in private companies

The fair value of investments in private companies are not quoted in an active market may be determined by using third-party pricing information and are usually based on valuation methods and techniques generally recognized as standard within the industry. Models use observable data to the extent practicable. Changes in assumptions about these factors could affect the reported fair value of the investments in private companies.

ESG GLOBAL IMPACT CAPITAL INC.

(formerly Block One Capital Inc.)

Notes to the Consolidated Financial Statements

Years ended August 31, 2020 and 2019

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(c) Use of Estimates and Judgments (continued)

Fair value of investment in warrants

Management uses Black-Scholes option pricing model in measuring the fair value of investment in warrants, where active market quotes are not available. In applying the valuation technique, management is required to determine and make assumptions about the most appropriate inputs to the valuation model including the expected life, volatility, dividend yield and forfeiture rate. Such assumptions are inherently uncertain and changes in these assumptions affect the fair value estimates.

Fair value of share-based payments

The Company uses the Black-Scholes option pricing model to calculate the fair value of stock options and warrants at the date of grant. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility, weighted average expected life of the instruments, expected dividends, and the risk-free interest rate. Changes in these assumptions can materially affect the fair value estimate.

Fair value measurement

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. Changes in estimates and assumptions about these inputs could affect the reported fair value.

Unrecognized deferred income tax assets

Deferred tax assets and liabilities are determined based on differences between the financial statement carrying values of assets and liabilities and their respective income tax bases ("temporary differences") and losses carried forward. The determination of the ability of the Company to utilize tax loss carry-forwards to offset deferred tax liabilities requires management to exercise judgement and make certain assumptions about the future performance of the Company. Management is required to assess whether it is "probable" that the Company will benefit from these prior losses and other deferred tax assets. Changes in economic conditions and other factors could result in revisions to the estimates of the benefits to be realized or the timing of utilization of the losses.

Judgements

Judgments made by management include the factors used to assess whether the going concern assumption is appropriate. The assessment of the going concern assumption requires management to take into account all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

(d) Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance, are readily convertible to known amounts of cash, and which are subject to insignificant risk of changes in value to be cash equivalents.

(e) Financial Instruments

(i) Recognition and initial measurement

The Company's financial instruments consist of cash, loans receivable, investments, bank indebtedness, amounts due to related party, accounts payable and accrued liabilities, and notes payable.

All other financial assets and liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

ESG GLOBAL IMPACT CAPITAL INC.

(formerly Block One Capital Inc.)

Notes to the Consolidated Financial Statements

Years ended August 31, 2020 and 2019

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(e) Financial Instruments (continued)

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortized cost; fair value through other comprehensive income ("FVOCI") – debt investment; FVOCI - equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis. All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Subsequent measurement and gains and losses

- Financial assets at FVTPL: These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in the statement of operations.
- Financial assets at amortized cost: These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in the statement of operations. Any gain or loss on derecognition is recognized in the statement of operations.
- Debt investments at FVOCI: These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in the statement of operations. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to the statement of operations.

ESG GLOBAL IMPACT CAPITAL INC.

(formerly Block One Capital Inc.)

Notes to the Consolidated Financial Statements

Years ended August 31, 2020 and 2019

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(e) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

- Equity investments at FVOCI: These assets are subsequently measured at fair value. Dividends are recognized as income in the statement of operations unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to the statement of operations.

The Company's cash and loans receivable are classified as amortized cost. Investments are classified as fair value through profit or loss.

Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the statement of operations. Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognized in the statement of operations. Any gain or loss on derecognition is also recognized in the statement of operations.

The Company's bank indebtedness accounts payable and accrued liabilities, notes payable, and amounts due to related parties are classified as amortized cost.

(iii) Derecognition

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. The Company enters into transactions whereby it transfers assets recognized in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in the statement of operations.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(v) Impairment

Financial assets and contract assets

The Company recognizes loss allowances for expected credit losses ("ECLs") on:

ESG GLOBAL IMPACT CAPITAL INC.

(formerly Block One Capital Inc.)

Notes to the Consolidated Financial Statements

Years ended August 31, 2020 and 2019

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(e) Financial instruments (continued)

(v) Impairment (continued)

- financial assets measured at amortized cost;
- debt investments measured at FVOCI; and
- contract assets (as defined in IFRS 15).

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or
- the financial asset is more than 90 days past due.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECL's that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;

ESG GLOBAL IMPACT CAPITAL INC.

(formerly Block One Capital Inc.)

Notes to the Consolidated Financial Statements

Years ended August 31, 2020 and 2019

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(e) Financial instruments (continued)

(v) Impairment (continued)

- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to the statement of operations and is recognized in OCI.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

(f) Investment in mineral properties

The Company's investment in mineral properties are currently in exploration and evaluation phase or in preparation for their development. The Company defers all expenditures related to its mineral properties once the legal rights to a property have been acquired. Exploration costs incurred prior to acquiring the legal rights to a property are charged to operations as general exploration expense.

Exploration costs that are not attributable to a specific property are charged to operations as general exploration expense. Mineral property option proceeds, if received, are credited against the deferred costs incurred by the Company on the property or properties being optioned. Under this method, the amounts shown as mineral property represent net costs incurred to date less amounts amortized and/or written off, and do not necessarily represent present or future values.

Although the Company has taken steps to verify title to the mining properties in which it holds an interest, in accordance with industry practices for the current stage of exploration and development of such properties, these procedures do not guarantee the validity of the Company's titles. Property titles may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of any such assets may exceed their recoverable amount. When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, the Company shall measure, present and disclose any resulting impairment loss.

The recovery of costs of mining claims and deferred exploration is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete exploration and development and future profitable production or proceeds from disposition of such properties.

Management performs impairment tests on exploration and evaluation assets before the assets are transferred to development properties. If the properties are put into commercial production, the expenditures will be depleted using the unit of production basis. If the properties are impaired, sold or abandoned, the expenditures will be charged to operations in the related period.

ESG GLOBAL IMPACT CAPITAL INC.

(formerly Block One Capital Inc.)

Notes to the Consolidated Financial Statements

Years ended August 31, 2020 and 2019

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(g) Impairment of non-financial assets

At the end of each reporting period the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of an asset's fair value less costs to sell and its value-in-use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the income or loss for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(h) Share Capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares, warrants and stock options are recognized as a deduction from equity, net of any tax effects.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in the private placements to be the more easily measurable component and the common shares are valued at their estimated fair value. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as reserves.

(i) Revenue Recognition

As an investment company, the Company may earn revenue in the form of interest or dividends which derive from its investments or from cash on hand. Investment income includes interest, dividends, and realized gains on the sale of investments. Revenue is recognized in accordance with IFRS 15, *Revenues*, only when: (i) the borrower can be identified; (ii) the performance obligations in the contract can be identified; (iii) the transaction price has been determined; (iv) the transaction price can be allocated to the performance obligations in the contract; and (v) when the entity satisfied a performance obligation.

(j) Foreign Currency Translation

The functional and reporting currency is the Canadian dollar. Transactions denominated in foreign currencies are translated using the exchange rate in effect on the transaction date or at an average rate. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange in effect at the statement of financial position date. Non-monetary items are translated using the historical rate on the date of the transaction. Revenue and expenses are translated at average rates for the period. Foreign exchange gains and losses are included in the statement of operations.

(k) Income Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in the statement of operations. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

ESG GLOBAL IMPACT CAPITAL INC.

(formerly Block One Capital Inc.)

Notes to the Consolidated Financial Statements

Years ended August 31, 2020 and 2019

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(h) Income Taxes (continued)

Deferred income tax

Deferred income tax is provided using the statement of financial position method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(l) Earnings (Loss) Per Share

Basic earnings (loss) per share is computed using the weight average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share, whereby all "in the money" stock options and share purchase warrants are assumed to have been exercised at the beginning of the period and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the period. When a loss is incurred during the period, basic and diluted loss per share are the same as the exercise of stock options and share purchase warrants is considered to be anti-dilutive.

(m) Other Comprehensive Income (Loss)

Other comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in the statement of operations. As at August 31, 2020 and 2019 the Company had no items that represent other comprehensive income (loss).

(n) Share-based Payments

The grant date fair value of share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Share-based payment arrangements in which the Company fair values the goods or services it receives as consideration for its own equity instruments are accounted for as equity-settled, share-based payment transactions, regardless of how the equity instruments are obtained by the Company.

The fair value of the options is measured at the grant date using the Black-Scholes option pricing model. The fair value is recognized as an expense over the vesting period, which is the period over which all of the specified vesting conditions are satisfied with a corresponding increase in equity. For awards with graded vesting, the fair value of each tranche is recognized over its respective vesting period. Non-market vesting conditions are considered in making assumptions about the number of awards that are expected to vest. When the options are exercised, any proceeds received are credited to share capital along with the amount reflected in share-based payment reserve.

ESG GLOBAL IMPACT CAPITAL INC.

(formerly Block One Capital Inc.)

Notes to the Consolidated Financial Statements

Years ended August 31, 2020 and 2019

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(o) Accounting Standards Issued But Not Yet Effective

IFRS 3 Business Combinations (Amendment)

In October 2018, the International Accounting Standards Board (IASB) issued amendments to IFRS 3, incorporated into Part I of the CPA Canada Handbook – Accounting by the Accounting Standards Board (AcSB) in December 2018. The amendments clarify the definition of a business, permitting a simplified assessment to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments are effective for transactions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020. Earlier application is permitted.

The Company has not early adopted this revised standard and it will not have a material impact on the Company's consolidated financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

ESG GLOBAL IMPACT CAPITAL INC.

(formerly Block One Capital Inc.)

Notes to the Consolidated Financial Statements

Years ended August 31, 2020 and 2019

(Expressed in Canadian dollars)

3. Investments

	Note 3	Balance, August 31, 2019 \$	Acquisitions \$	Impairments and Dispositions \$	Adjustments to fair value \$	Balance, August 31, 2020 \$
Equities						
AbraPlata Resources Corp.	l	80,570	-	(60,067)	84,497	105,000
Affirmative Technology Group LLC	m	1	-	-	(1)	-
AIML Resources Inc.	gg	-	275,500	-	44,080	319,580
BlockTech Ventures Inc.	n	1	-	(1)	-	-
BlueBird Battery Minerals Inc.	o	89,600	-	(233,958)	144,358	-
Cloud MD	aa	49,600	294,811	(380,055)	35,644	-
Columbus Energy Ltd.	d	32,000	-	-	(4,000)	28,000
Cuipo OMAAT Ltd	p	1	-	-	(1)	-
District Mines Ltd.	a	2,442	-	-	(939)	1,503
East Africa Metals Inc.	hh	-	97,748	-	(13,748)	84,000
Everyday People Financial Inc.	z	1	-	-	374,999	375,000
Finzat Block LLC	q	1	-	-	(1)	-
Flurotech Ltd.	r	5,980	-	(11,301)	5,321	-
Gold Port Corporation	g	18,800	-	(833)	62,033	80,000
HashChain Technology Inc.	s	50,100	-	(1,202,400)	1,152,300	-
Hybrid Minerals Inc.	h	18,450	-	(11,613)	184,113	190,950
Idaho Champion Gold Mines	kk	-	25,500	-	(2,125)	23,375
Integrated Cannabis Company Inc.	k	62,208	-	(27,348)	(34,859)	-
Karma Technologies	y	1	-	-	(1)	-
King Global Ventures	c	108,570	90,000	-	41,905	240,475
Leanlife Health Inc	ii	-	50,270	(49,730)	(540)	-
Prospera Energy Inc.	bb	35,000	-	(46,573)	11,573	-
Risetech Cap Corp	cc	1,000	-	(1,000)	-	-
Rockshield	dd	24,000	-	-	(10,500)	13,500
Royal Gold	e	95,200	51,470	(4,562)	(78,108)	64,000
Sassy Res Corp	jj	-	62,733	-	(8,733)	54,000
Shopin	u	1	-	-	(1)	-
The Very Good Food Co Inc.	ll	-	410,000	(75,000)	430,000	765,000
True North Gems Inc.	ee	3,426	-	(12,265)	8,839	-
Vinergy Resources Ltd.	i	21,450	-	-	(19,500)	1,950
Xander Resources Inc.	w	55,493	141,480	-	115,327	312,300
Yorkton Ventures Inc.	j	57,725	40,000	-	146,588	244,312
Zonetail Inc.	ff	3,500	-	(16,000)	12,500	-
Total Equities		815,120	1,539,513	(2,132,706)	2,681,018	2,902,945
Warrants						
Australis Capital Corp	x	95,700	-	(291,460)	195,760	-
CloudMD	aa	-	64,682	-	107,694	172,376
Gold Port Corporation	g	-	-	-	-	-
Idaho Champion Gold	kk	-	-	-	6,381	6,381
King Global Ventures Warrants	c	-	-	-	131,439	131,439
The Very Good Food Co Inc.	ll	-	-	-	82,963	82,963
Xander Resources Inc.	w	-	-	-	28,453	28,453
Yorkton Ventures Inc.	j	-	-	-	51,280	51,280
Total Warrants		95,700	64,682	(291,460)	603,970	472,892
Total Investments		910,820	1,604,197	(2,424,166)	3,284,988	3,375,837

ESG GLOBAL IMPACT CAPITAL INC.

(formerly Block One Capital Inc.)

Notes to the Consolidated Financial Statements

Years ended August 31, 2020 and 2019

(Expressed in Canadian dollars)

3. Investments (continued)

	Balance, August 31, 2018 \$	Acquisitions \$	Adjustments to fair value \$	Impairments and Dispositions \$	Balance, August 31, 2019 \$
Equities					
AbraPlata Resource Corp.	92,080	–	(11,510)	–	80,570
Affirmative Technology Group LLC	1	–	–	–	1
BlockTech Ventures Inc.	1	–	–	–	1
BlueBird Battery Metals Inc.	264,000	191,348	(69,645)	(296,103)	89,600
Catalina Gold Corp.	3,006	–	(564)	–	2,442
Columbus Energy Ltd.	48,000	–	(16,000)	–	32,000
Corsurex Resource Corp.	54,177	–	(35,377)	–	18,800
Cuipo OMAAT Ltd.	1	–	–	(1)	–
Everyday People Financial Inc.	–	250,000	(249,999)	–	1
Finzat Block LLC	1	–	–	–	1
Flurotech Ltd.	64,970	–	(26,560)	(32,430)	5,980
HashChain Technology Inc.	684,250	–	305,450	(939,600)	50,100
Hybrid Minerals Inc.	141,450	–	(123,000)	–	18,450
Integrated Cannabis Company Inc.	118,833	43,125	(60,779)	(38,971)	62,208
Karma Technologies Ltd.	–	877,076	(877,075)	–	1
NRG Metals Inc.	83,265	–	(28,050)	(55,215)	–
Pacton Gold Inc.	17,160	–	(2,030)	(15,130)	–
Premier Health Group Inc.	–	85,244	(35,644)	–	49,600
Prospera Energy Inc.	–	46,573	(11,573)	–	35,000
Risetech Capital Corp	–	1,000	–	–	1,000
Rockshield Capital Corp.	–	27,223	(3,223)	–	24,000
Rosita Mining Corp.	144,760	–	(36,190)	–	108,570
Shopin	1	–	–	–	1
Shoshoni Gold Ltd.	23,300	–	74,564	(2,664)	95,200
True North Gems Inc.	–	12,265	(8,839)	–	3,426
VBI Vaccines Inc.	17,045	–	50,034	(67,079)	–
Vinergy Resources Ltd.	3,360	22,964	19,191	(24,065)	21,450
Xander Resources Inc.	47,565	–	7,928	–	55,493
Yorkton Ventures Inc.	115,450	–	(57,725)	–	57,725
Zonetail Inc.	–	16,000	(12,500)	–	3,500
Total equities	1,922,676	1,572,818	(1,209,116)	(1,471,258)	815,120
Warrants					
Australis Capital Inc.	–	603,020	(195,760)	(311,560)	95,700
Integrated Cannabis Company Inc.	48,376	–	–	(48,376)	–
Shoshoni Gold Ltd.	6,717	–	–	(6,717)	–
Total warrants	55,093	603,020	(195,760)	(366,653)	95,700
Total investments	1,977,769	2,175,838	(1,404,876)	(1,837,911)	910,820

ESG GLOBAL IMPACT CAPITAL INC.

(formerly Block One Capital Inc.)

Notes to the Consolidated Financial Statements

Years ended August 31, 2020 and 2019

(Expressed in Canadian dollars)

3. Investments (continued)

The Company's investments are comprised of the following debt and equity instruments:

- (a) District Mines Ltd. ("District") (formerly Catalina Gold Corp. ("Catalina")) and Valparaiso Technologies Inc.)

On February 19, 2014, the Company acquired a convertible debenture of Catalina for \$25,050, where the debenture is convertible into common shares of Catalina at \$0.033 per common share. As consideration for investing in the convertible debenture of Catalina, the Company received an additional 751,500 common shares of Catalina. On March 18, 2014, the Company exercised its right to convert the debenture into 751,500 common shares of Catalina. During the year ended August 31, 2015, Catalina consolidated its common shares on a one-for-four basis, where the Company's 1,503,000 common shares of Catalina were adjusted to 375,750 common shares. During the year ended August 31, 2018, Catalina consolidated its common shares on a one-for-ten basis, where the Company's 375,750 common shares were adjusted to 37,575 common shares. During the year ended August 31, 2020 District consolidated its common shares on a one-for-three basis, where the Company's 37,575 common shares were adjusted to 12,525 common shares.

- (b) VBI Vaccines Inc. (formerly SciVac Therapeutics Inc.) ("VBI")

In February 2015, the Company acquired 250,000 common shares of Levon Resources Inc. ("Levon") for proceeds of \$71,193. In May 2015, the Company sold 34,000 common shares of Levon for proceeds of \$14,308. On July 9, 2015, pursuant to a plan of arrangement between Levon and VBI, each common share of Levon was exchanged for one common share of VBI and one-half of a common share of Levon ("New Levon"). As a result of the plan of arrangement, the Company exchanged 216,000 common shares of Levon for 216,000 common shares of VBI and 108,000 common shares of New Levon. On July 14, 2015, the Company sold 108,000 common shares of New Levon for proceeds of \$19,235. On July 15, 2015, the Company acquired 40,000 common shares of VBI for \$18,548. In April 2016, VBI completed a 40-for-1 share consolidation which decreased the Company's holdings to 6,400 common shares. During the year ended August 31, 2019, the Company sold 6,400 common shares of VBI for proceeds of \$17,436 resulting in a loss on sale of \$49,643.

- (c) King Global Ventures Inc. ("King Global") (formerly Rosita Mining Corp. ("Rosita"))

On June 27, 2016, the Company acquired 487,000 common shares of Rosita for \$31,850. On July 19, 2016, the Company acquired 2,000,000 units of Rosita for \$100,000. Each unit consisted of one common share and one share purchase warrant. Each whole share purchase warrant is exercisable into one common share at a price of \$0.055 per share for two years. In June 2017, the Company acquired 650,000 common shares of Rosita for \$19,605. During the year ended August 31, 2018, the Company acquired 1,340,000 common shares of Rosita for \$114,858, exercised 400,000 warrants for \$22,000, and sold 1,258,000 common shares for proceeds of \$66,110 resulting in a gain on sale of \$3,074. The remaining 1,600,000 warrants expired unexercised on July 19, 2018 resulting in an adjustment to fair value of \$19,235. During the year ended August 31, 2020, the Company acquired 6,000,000 units of King Global for proceeds of \$90,000. Each unit was comprised of one common share and one share purchase warrant. Each purchase warrant is exercisable into one common share at a price of \$0.05 per share for a period of two years from the date of issuance, subject to King Global's option to accelerate expiry in the event that the share price closes at, or above, \$0.07 for 10 consecutive trading days. The fair value of purchase warrants is \$131,439.

- (d) Columbus Energy Ltd. ("Columbus")

On November 2, 2015, the Company acquired 200,000 units of Columbus for \$12,000. Each unit consisted of one common share and one share purchase warrant. Each share purchase warrant is exercisable into one common share at a price of \$0.08 per share for one year. On January 4, 2017, the Company exercised the share purchase warrants of Columbus into 200,000 common shares of Columbus for \$16,000 resulting in a total of 400,000 common shares.

ESG GLOBAL IMPACT CAPITAL INC.

(formerly Block One Capital Inc.)

Notes to the Consolidated Financial Statements

Years ended August 31, 2020 and 2019

(Expressed in Canadian dollars)

3. Investments (continued)

(e) Royal Gold Mining Inc. ("Royal Gold") (formerly, Shoshoni Gold ("Shoshoni"))

During the year ended August 31, 2016, the Company acquired 3,400,000 units of Shoshoni for \$17,000, which was subsequently consolidated on a one-for-ten basis to 340,000 units. Each unit consisted of one common share and one share purchase warrant. Each whole share purchase warrant is exercisable into one common share at a price of \$0.05 per share for three years. The warrants expired unexercised. During the year ended August 31, 2020 Royal Gold consolidated its common shares on a one-for-four basis, where the Company's 340,000 common shares were adjusted to 85,000 common shares.

During the year ended August 31, 2018, the Company acquired 200,000 common shares of Shoshoni for \$9,970 and sold 74,000 common shares for proceeds of \$3,730 resulting in a gain on sale of \$2,165. During the year ended August 31, 2019, the Company sold 126,000 common shares for proceeds of \$5,225 resulting in a gain on sale of \$2,561.

During the year ended August 31, 2019, the 340,000 Shoshoni warrants expired unexercised, resulting in a loss of \$6,717. During the year ended August 31, 2020 the Company acquired 110,000 common shares of Royal Gold for proceeds of \$35,000. During the year the Company sold 35,000 shares of Royal Gold for proceeds of \$18,786 resulting in a gain of \$14,223.

(f) NRG Metals Inc. ("NRG")

On November 24, 2016, the Company acquired 500,000 units of NRG for \$50,100. Each unit consisted of one common share and one share purchase warrant. Each share purchase warrant is exercisable at a price of \$0.20 per share for two years. In January 2017, NRG completed a plan of arrangement (the "Plan of Arrangement") under the provision of the Business Corporations Act (British Columbia) pursuant to which certain assets of NRG were spun-out to Gold Port Resources Ltd. ("Gold Port"). Under the Plan of Arrangement, NRG's shareholders exchanged each existing common share of NRG for one "new" NRG common share and 0.25 common shares of Gold Port.

During the year ended August 31, 2018, the Company exercised 500,000 share purchase warrants for \$100,000 and sold 603,500 common shares for proceeds of \$218,361 resulting in a gain on sale of \$168,568. During the year ended August 31, 2019, the Company sold 396,500 common shares for proceeds of \$53,528 resulting in a loss on sale of \$1,688.

(g) Corsurex Resource Corp. ("Corsurex") (formerly Gold Port Resources Ltd. ("Gold Port"))

In January 2017, the Company acquired 125,000 common shares of Gold Port as part of the Plan of Arrangement of NRG.

During the year ended August 31, 2018, Corsurex consolidated its common shares on a one-for-sixteen basis, where the Company's 125,000 common shares of Corsurex were adjusted to 7,813 common shares and the Company acquired an additional 500,000 units of Corsurex for \$50,000. Each unit consisted of one common share and one share purchase warrant. Each share purchase warrant is exercisable into one common share at a price of \$0.20. The warrants expired unexercised. During the year ended August 31, 2020 the Company sold 7,813 shares for proceeds of \$214 resulting in a loss on sale of \$618.

(h) Hybrid Minerals Inc. ("Hybrid")

On February 6, 2017, the Company acquired 140,000 common shares of Hybrid for \$22,515. On April 4, 2017, the Company acquired 475,000 units of Hybrid for \$28,500. Each unit consisted of one common share and one share purchase warrant. Each share purchase warrant is exercisable at a price of \$0.08 per share for a period of one year. On March 20, 2018, the warrants expired unexercised resulting in an adjustment to fair value of \$63,187. During the year ended August 31, 2020 the Company sold 140,000 shares for proceeds of \$2,005 resulting in a loss of \$9,608.

ESG GLOBAL IMPACT CAPITAL INC.

(formerly Block One Capital Inc.)

Notes to the Consolidated Financial Statements

Years ended August 31, 2020 and 2019

(Expressed in Canadian dollars)

3. Investments (continued)

(i) Vinergy Resources Ltd. ("Vinergy")

In January 2017, the Company acquired 62,000 common shares of Vinergy for \$35,525. On January 26, 2017, the Company sold 20,000 common shares of Vinergy and recognized a gain on sale of \$1,795. During the year ended August 31, 2019 the Company sold 42,000 common shares of Vinergy for proceeds of \$7,248 and recognized a loss on the sale of \$16,818. In addition, the Company acquired an additional 130,000 common shares of Vinergy for \$22,964.

(j) Yorkton Ventures Inc. ("Yorkton")

In November 2016, the Company acquired 44,500 common shares of Yorkton for \$4,185. On December 8, 2016, the Company acquired 10,000 common shares in Yorkton for \$1,200. During the year ended August 31, 2018, the Company acquired 1,100,000 common shares of Yorkton for \$165,000. During the year ended August 31, 2020, the Company acquired 800,000 units of Yorkton for proceeds of \$40,000. Each unit was comprised of one common share and one share purchase warrant. Each purchase warrant is exercisable into one common share at a price of \$0.075 per share for a period of one year from the date of issuance. The fair value of purchase warrants is \$51,280.

(k) Integrated Cannabis Company Inc. ("Integrated")

On June 13, 2017, the Company acquired 191,666 units of Integrated for \$57,500. Each unit consisted of one common share and three-quarters of a share purchase warrant, exercisable at a price of \$0.30 per share for one year which was extended for an additional year during the year ended August 31, 2018. During the year ended August 31, 2019, the Company sold 211,000 common shares of Integrated for proceeds of \$91,093 and realized a net gain of \$52,122. In addition, the Company exercised 143,749 warrants during the year for \$43,125. During the year ended August 31, 2020 the Company sold 124,415 shares for proceeds of \$15,252 resulting in a loss of \$12,097.

(l) AbraPlata Resource Corp. ("APRC")

On August 5, 2016, the Company acquired 500,000 units of Huayra Minerals Corporation ("Huayra") for \$25,000. Each unit consisted of one common share and one share purchase warrant. Each whole share purchase warrant is exercisable into one common share at a price of \$0.10 per share for two years.

On March 17, 2017, the Company acquired 100,000 common shares of APRC for \$25,000. On March 30, 2017, APRC completed a 1-for-5 share split which increased the Company's holdings to 500,000 common shares.

On April 24, 2017, APRC and its wholly-owned subsidiary, 1096494 BC Ltd., completed a merger with Huayra pursuant to which Huayra and 1096494 BC Ltd. amalgamated and the amalgamated company became a wholly-owned subsidiary of APRC.

Pursuant to the merger, APRC acquired all of the issued and outstanding Class A common shares of Huayra in exchange for a like number of common shares of APRC. All share purchase warrants of Huayra outstanding were subject to an acceleration of the expiry date to the closing of the merger.

As a result of the acceleration of the expiry date of the share purchase warrants of Huayra, the Company exercised the share purchase warrants of Huayra with a carrying value of \$15,119 into 500,000 common shares of Huayra for \$50,000. As part of the completion of the merger, the 1,000,000 common shares of Huayra were exchanged for 1,000,000 common shares of APRC.

During the year ended August 31, 2018, the Company sold 349,000 common shares of APRC for proceeds of \$49,549 resulting in a gain on sale of \$26,282.

During the year ended August 31, 2020, the Company sold 901,000 common shares of APRC for proceeds of \$150,460 resulting in a gain on sale of \$90,393.

ESG GLOBAL IMPACT CAPITAL INC.

(formerly Block One Capital Inc.)

Notes to the Consolidated Financial Statements

Years ended August 31, 2020 and 2019

(Expressed in Canadian dollars)

3. Investments (continued)

(m) Affirmative Technology Group LLT (“Affirmative”)

On June 12, 2018, the Company acquired 30% of the outstanding membership units of Affirmative for \$520,160. As at August 31, 2018, the Company recorded an impairment loss of \$520,159, resulting in a carrying value of \$1. During the year ended August 31, 2020, the Company sold its shares in Affirmative in a share purchase agreement with a portfolio of assets (Note 3 (n), (q), (u), (y) and Note 4 (b)) for total proceeds of \$100,000.

(n) BlockTech Ventures Inc. (“BlockTech”)

On November 29, 2017, the Company acquired 600,000 common shares of BlockTech for \$210,000. As at August 31, 2018, the Company recorded an impairment loss of \$209,999 resulting in a carrying value of \$1. During the year ended August 31, 2020, the Company sold its shares in BlockTech in a share purchase agreement with a portfolio of assets (Note 3 (m), (q), (u), (y) and Note 4 (b)) for total proceeds of \$100,000.

(o) BlueBird Battery Metals Inc. (“BlueBird”)

During the year ended August 31, 2018, the Company acquired 800,000 common shares of BlueBird for \$338,712. During the year ended August 31, 2019, the Company acquired 650,000 common shares of BlueBird for \$191,348. In addition, the Company sold 810,000 common shares of BlueBird for proceeds of \$202,901 and realized a net loss of \$93,202. During the year ended August 31, 2020 the Company sold 640,000 shares for proceeds of \$46,042 resulting in a loss of \$187,916.

(p) Cuipo OMAAT Ltd. (“Cuipo”)

During the year ended August 31, 2018, the Company acquired a 33% interest in the outstanding common shares of Cuipo for \$999,820. As at August 31, 2018, the Company recorded an impairment loss of \$999,819, resulting in a carrying value of \$1. During the year ended August 31, 2019, the Company received a repayment from Cuipo in the amount of \$313,114, resulting in a recovery of investment.

(q) Finzat Block LLC. (“Finzat”)

During the year ended August 31, 2018, the Company acquired 4,000,000 common shares of Finzat for \$789,985. On August 31, 2018, the Company recorded an impairment loss of \$789,984, resulting in a carrying value of \$1. During the year ended August 31, 2020, the Company sold its shares in Finzat in a share purchase agreement with a portfolio of assets (Note 3 (m), (n), (u), (y) Note 4 (b)) for total proceeds of \$100,000.

(r) Flurotech Ltd. (“Flurotech”)

During the year ended August 31, 2018, the Company acquired 140,000 common shares of Flurotech for \$69,435 and sold 51,000 common shares for proceeds of \$27,335 resulting in a gain on sale of \$1,631. During the year ended August 31, 2019, the Company sold 66,000 common shares of Flurotech for proceeds of \$36,391 and realized a gain on the sale of \$3,961. During the year ended August 31, 2020 the Company sold 23,000 common shares of Flurotech for proceeds of \$2,830 resulting in a loss of \$8,471.

(s) HashChain Technology Inc. (“HashChain”)

During the year ended August 31, 2018, the Company acquired 8,900,000 common shares of HashChain in exchange for 900 common shares of TG 12 Ventures Inc. at a fair value of \$3,204,000, and sold 2,950,000 common shares for proceeds of \$563,680 resulting in a loss on sale of \$498,320. During the year ended August 31, 2019, the Company sold 610,000 common shares of HashChain for proceeds of \$42,467 resulting in a loss of \$177,134. In addition, the Company transferred an additional 2,000,000 common shares of HashChain for services in lieu of cash of \$70,000, resulting in a realized loss of \$650,000. During the year ended August 31, 2020, the Company sold 3,340,000 shares for proceeds of \$16,633 resulting in a loss of \$1,185,767.

ESG GLOBAL IMPACT CAPITAL INC.

(formerly Block One Capital Inc.)

Notes to the Consolidated Financial Statements

Years ended August 31, 2020 and 2019

(Expressed in Canadian dollars)

3. Investments (continued)

(t) Pacton Gold Inc. ("Pacton")

During the year ended August 31, 2018, the Company acquired 575,000 common shares of Pacton for \$181,757 and sold 542,000 common shares for proceeds of \$171,400 resulting in a gain on sale of \$4,773. During the year ended August 31, 2019, the Company sold 33,000 common shares of Pacton for proceeds of \$5,515 resulting in a net loss of \$9,615.

(u) Shopin Coin ("Shopin")

During the year ended August 31, 2018, the Company acquired the right to future tokens of Shopin for \$989,049. As at August 31, 2018, the Company recorded an impairment loss of \$989,048 resulting in a carrying value of \$1. During the year ended August 31, 2020, the Company sold its shares in Affirmative in a share purchase agreement with a portfolio of assets (Note 3 (m), (n), (q), (y) and Note 5 (b)) for total proceeds of \$100,000.

(v) TG 12 Ventures Inc. ("TG 12")

During the year ended August 31, 2018, the Company acquired 900 common shares of TG 12 for \$4,253,737. On April 25, 2018, the Company recovered \$12,210 and sold its 900 shares of TG 12 to HashChain in exchange for 8,900,000 common shares with fair value of \$3,204,000 resulting in a loss on sale of \$1,037,527.

(w) Xander Resources Inc. ("Xander")

During the year ended August 31, 2018, the Company acquired 528,500 common shares of Xander for proceeds of \$63,911. During the year ended August 31, 2020, the Company acquired 371,500 shares of Xander for proceeds of \$111,630. In addition, during the year the Company also acquired 141,000 units of Xander for \$29,850. Each unit was comprised of one common share and one share purchase warrant. 75,000 number of purchase warrants are exercisable into one common share at a price of \$0.25 per share for a period of one year from the date of issuance. The fair value of purchase warrants is \$14,586. 66,000 number of purchase warrants are exercisable into one common share at a price of \$0.26 per share for a period of two years from the date of issuance. The fair value of purchase warrants is \$13,867.

(x) Australis Capital Corp – Warrants ("Australis")

During the year ended August 31, 2019, the Company acquired 300,000 Australis warrants for \$603,020 and sold 155,000 warrants for proceeds of \$93,620 realizing a net loss of \$217,940. During the year ended August 31, 2020 the Company sold the remaining 145,000 shares for proceeds of \$59,882 realizing a net loss of \$231,578.

(y) Karma Technologies ("Karma")

During the year ended August 31, 2019, the Company acquired 12,600,000 common shares of Karma for \$877,076. On August 31, 2019, the Company recorded an impairment loss of \$877,075, resulting in a carrying value of \$1. During the year ended August 31, 2020, the Company loaned \$346,635 (GBP £200,000) to Karma, as at August 31, 2020 the Company sold its share in the portfolio company (Note 3 (m), (n), (q), (u) and Note 5 (b)) and assigned the loan to the purchaser for \$100,000 and recognized \$246,640 loss on sale on investment.

(z) Everyday Financial People Inc. ("EFP")

During the year ended August 31, 2019, the Company acquired 500,000 common shares of EFP for \$250,000. On August 31, 2019, the Company recorded an impairment loss of \$249,999, resulting in a carrying value of \$1. During the year ended August 31, 2020, the Company was able to record a recapture of investment on its EFP investment of \$375,000.

ESG GLOBAL IMPACT CAPITAL INC.

(formerly Block One Capital Inc.)

Notes to the Consolidated Financial Statements

Years ended August 31, 2020 and 2019

(Expressed in Canadian dollars)

3. Investments (continued)

(aa) CloudMD Software & Services Inc. (formerly, Premier Health Group Inc. ("PHG"))

During the year ended August 31, 2019, the Company acquired 160,000 common shares of PHG for \$85,244. During the year ended August 31, 2020 the Company purchased 559,500 shares for proceeds of \$294,811, in addition, the Company sold 719,500 shares for proceeds of \$667,278 for a gain on sale of \$287,223. During the year, the Company also acquired 200,000 warrants of CloudMD for proceeds of \$64,682. Each purchase warrant is exercisable into one common share at a price of \$1.00 per share for a period of two years from the date of issuance. The fair value of purchase warrants is \$172,376.

(bb) Prospera Energy Inc. ("Prospera")

During the year ended August 31, 2019, the Company acquired 700,000 common shares of Prospera for \$46,573. During the year ended August 31, 2020 the Company sold 700,000 shares for proceeds of \$6,905 resulting in a loss of \$39,668.

(cc) Risetech Capital Corp. ("Risetech")

During the year ended August 31, 2019, the Company acquired 10,000 common shares of Risetech for \$1,000. During the year ended August 31, 2020 the Company sold 1,000 shares for proceeds of \$905 resulting in a loss of \$95.

(dd) Rockshield Capital Corp. ("Rockshield")

During the year ended August 31, 2019, the Company acquired 300,000 common shares of Rockshield for \$27,223.

(ee) True North Gems Inc. ("True North")

On October 19, 2018, the Company acquired 2,000,000 common shares of True North for \$10,095. On October 30, 2018, True North completed a 10-for-1 share consolidation which decreased the Company's holdings to 200,000 common shares. From October 31, 2018 to February 7, 2019, the Company acquired an additional 203,000 common shares. On February 20, 2019, True North completed a 10-for-1 share consolidation which decreased the Company's holdings to 40,300 common shares. During the year ended August 31, 2020 the Company sold 40,300 shares of True North for proceeds of \$3,532 resulting in a loss of \$8,733.

(ff) Zonetail Inc. ("Zonetail")

On December 21, 2018, the Company received 100,000 common shares of Zonetail in lieu of the repayment of a loan receivable in the amount of \$16,000. During the year ended August 31, 2020, the Company sold 100,000 shares for proceeds of \$1,405 resulting in a loss of \$14,595.

(gg) AIML Resources Inc. ("AMIL")

During the year ended August 31, 2020, the Company received 1,102,000 common shares of AMIL in lieu of the repayment of a loan receivable in the amount of \$275,500. Also see Note 5 (e).

(hh) East Africa Metals Inc. ("East Africa")

During the year ended August 31, 2020, the Company acquired 600,000 common shares of East Africa for \$97,748.

(ii) Leanlife Health Inc. ("Leanlife")

During the year ended August 31, 2020, the Company acquired 1,000,000 common shares of Leanlife for \$50,720. During this year the Company sold the 1,000,000 shares of Leanlife for proceeds of \$49,730 resulting in a loss of \$540.

ESG GLOBAL IMPACT CAPITAL INC.

(formerly Block One Capital Inc.)

Notes to the Consolidated Financial Statements

Years ended August 31, 2020 and 2019

(Expressed in Canadian dollars)

3. Investments (continued)

(jj) Sassy Resources Corporation (“Sassy”)

During the year ended August 31, 2020, the Company acquired 100,000 common shares of Sassy for proceeds of \$62,733.

(kk) Idaho Champion Gold Mines (“Idaho Champion”)

During the year ended August 31, 2020, the Company acquired 85,000 common shares and 42,500 warrants of Idaho Champion for proceeds of \$25,500. Each unit was comprised of one common share and one share purchase warrant. Each purchase warrant is exercisable into one common share at a price of \$0.45 per share for a period of three years from the date of issuance. The fair value of purchase warrants is \$6,381.

(ll) The Very Good Food Co Inc. (“Very Good Food”)

During the year ended August 31, 2020, the Company acquired 800,000 common shares of Very Good Food for proceeds of \$410,000 and sold 300,000 shares of Very Good Food for proceeds of \$357,240 resulting in a gain of \$282,240. In addition, the Company holds 100,000 warrants of Very Good Food. Each unit was comprised of one common share and one share purchase warrant. Each purchase warrant is exercisable into one common share at a price of \$2.00 per share for a period of one and half years from the date of issuance. The fair value of purchase warrants is \$82,963.

4. Investment in Mineral Properties

On August 31, 2020, the Company acquired Encanto Potash Corp.’s 22.96% interest of potash resources in Saskatchewan through the issuance of 730,000 Series B redeemable convertible preferred shares of the Company. The Company determined the acquisition was an asset acquisition and the fair value of the assets acquired amounted to \$6,388,000. Also see Note 8 (c).

5. Loans Receivable

- (a) In July 2019, the Company loaned \$250,000 to an unrelated publicly traded company. The loan is unsecured, bears interest at 10% per annum, and due on July 31, 2020 in either cash or common shares of the publicly traded company at the closing trading price on the date of conversion. As at August 31, 2020 the Company has accrued interest of \$28,014 (2019 - \$3,014). Refer to Note 14.
- (b) During the year ended August 31, 2020, the Company loaned \$346,635 to one of its portfolio companies. The loan was unsecured, bore interest at 10% per annum, and was due on June 30, 2020. As at August 31, 2020 the Company sold its share in the portfolio company and assigned the loan to the purchaser for \$100,000 and recognized \$246,640 loss on sale on investment. As at August 31, 2020 the loan receivable balance was \$Nil. Refer to Note 3 (y).
- (c) During the year ended August 31, 2020, the Company loaned \$261,890 (USD \$200,000) to an unrelated publicly traded company. The loan is secured, bears interest at 6% per annum, and due on December 31, 2020 in either cash or common shares of the publicly traded company at the closing trading price on the date of conversion. As at August 31, 2020, the Company has accrued interest income of \$6,796. Also see Note 14.
- (d) During the year ended August 31, 2020, the Company received \$82,000 repayment from an unrelated publicly traded company. The full receivable amount was written off in the prior year. The Company recognized \$82,000 recapture of loans receivable.
- (e) During the year ended August 31, 2020, the Company received 1,102,000 common shares of AMIL in lieu of the repayment of a loan receivable in the amount of \$275,500. The full amount of loan receivable was written off in the prior year. The Company recognized \$275,500 recapture of loans receivable. Also see Note 3 (gg).

ESG GLOBAL IMPACT CAPITAL INC.

(formerly Block One Capital Inc.)

Notes to the Consolidated Financial Statements

Years ended August 31, 2020 and 2019

(Expressed in Canadian dollars)

6. Notes Payable

- (a) As at August 31, 2020, the Company owed a note payable of \$75,000 (2019 - \$75,000) to a non-related party. The amount owing is unsecured, bears interest at 10% per annum, and is due on demand. As at August 31, 2020, the Company has accrued interest of \$28,233 (2019 - \$20,733).
- (b) As at August 31, 2020, the Company owed a note payable of \$75,000 (2019 - \$75,000) to a non-related party. The amount owing is unsecured, bears interest at 10% per annum, and is due on demand. As at August 31, 2020, the Company has accrued interest of \$26,692 (2019 - \$19,192).
- (c) As at August 31, 2020, the Company owed \$nil (2019 - \$19,329) to a non-related party. The amount owing was unsecured, non-interest bearing, and due on demand, and was repaid during the year.

7. Related Party Transactions

- (a) During the year ended August 31, 2020, the Company incurred professional fees of \$30,000 (2019 - \$30,000) to a company controlled by the Chief Financial Officer ("CFO") of the Company. As at August 31, 2020 the Company had a payable of \$1,000 (August 31, 2019 - \$Nil) to the company controlled by the CFO.
- (b) During the year ended August 31, 2020, the Company incurred professional fees of \$23,000 (2019 - \$nil) to the Chief Executive Officer of the Company. As at August 31, 2020 and 2019, the Company had \$nil payable to the CEO.
- (c) During the year ended August 31, 2020, the Company incurred consulting fees of \$7,256 (2019 - \$187,922) to the former Chief Executive Officer of the Company.
- (d) During the year ended August 31, 2020, the Company incurred consulting fees of \$nil (2019 - \$13,161) to the former Chief Technology Officer of the Company.
- (e) During the year ended August 31, 2020, the Company incurred consulting fees of \$10,500 (2019 - \$nil) to a director of the Company which was outstanding as of August 31, 2020.
- (f) During the year ended August 31, 2020, the Company issued 1,249,999 in stock options to directors, former directors and officers (Note 10).

8. Share Capital

Authorized: Unlimited common shares without par value and 5,000,000 Series B redeemable convertible preferred shares with stated face value of \$10 per share.

- (a) On April 29, 2020 the Company closed of a private placement for 5,000,000 units at a price of \$0.07 per unit, for gross proceeds of \$350,000. Each unit is comprised of one common share and one warrant. Each warrant entitles the holder to purchase one additional common share at \$0.10 per common share for a period of 90 days from April 29, 2020 and, thereafter, at \$0.15 until 36 months from the date of closing. Securities issued pursuant to this financing are subject to trading restrictions until August 30, 2020. The company paid finders' fees to qualified finders of \$1,766 and issued 252,300 brokers' warrants. Each broker's warrant has a term of six months and may be exercised at \$0.30 per common share for a period of 90 days and, thereafter, at \$0.40 for the remaining 90 days. The fair value of brokers' warrants is \$30,019.
- (b) On August 31, 2020 the Company received proceeds and issued common shares for the exercise of 2,285,000 share purchase warrants at \$0.10 per share.
- (c) On August 31, 2020 the Company issued 730,000 Series B redeemable convertible preferred shares at a face value of \$10 to acquire the Encanto's 22.96% interest of potash resources in Saskatchewan. The Series B redeemable convertible preferred shares are voting and carry preferential dividend rights over the common shares and are convertible at the option of the Company into ten common shares of the Company based upon either of the following options; redeem one dollar approximately every 180 days or a maximum of two dollar within a twelve month period. See also Note 3 (mm).

ESG GLOBAL IMPACT CAPITAL INC.

(formerly Block One Capital Inc.)

Notes to the Consolidated Financial Statements

Years ended August 31, 2020 and 2019

(Expressed in Canadian dollars)

8. Share Capital (continued)

(d) The calculation of earnings per share for the years ended August 31, 2020 and 2019 are as follows:

	2020	2019
	\$	\$
Net income (loss)	1,797,036	(3,811,682)
Basic weighted average number of shares outstanding	23,881,391	22,182,761
Dilution of securities	1,574,565	-
Diluted weighted average number of shares outstanding	25,455,956	22,182,761
Earnings per share:		
Basic	0.08	(0.17)
Diluted	0.07	(0.17)

9. Share Purchase Warrants

The following table summarizes the continuity of share purchase warrants:

	Number of warrants	Weighted average exercise price \$
Outstanding, August 31, 2018 and 2019	8,630,000	0.48
Expired	(2,133,333)	4.97
Issued	5,000,000	0.15
Broker warrants	252,300	0.40
Exercised	(2,285,000)	0.10
Outstanding, August 31, 2020	9,463,967	0.26

As at August 31, 2020, the following share purchase warrants were outstanding:

Number of warrants outstanding	Exercise price \$	Expiry date
4,496,667	0.30	July 4, 2021
2,000,000	0.30	October 13, 2022
2,715,000	0.15	April 29, 2023
252,300	0.40	April 29, 2023
9,463,967	0.26	

During the year ended August 31, 2020 the Company granted 252,300 broker warrants. The fair value of these warrants was determined to be \$30,019 using the Black Scholes Option Pricing Model using the assumptions at the time of grant of risk-free interest rates of 1.85%, expected volatility of 125% and a dividend rate of 0%. The weighted average remaining life in years for the warrants is 1.68 years (2019: 1.77 years).

ESG GLOBAL IMPACT CAPITAL INC.

(formerly Block One Capital Inc.)

Notes to the Consolidated Financial Statements

Years ended August 31, 2020 and 2019

(Expressed in Canadian dollars)

10. Stock Options

The Company has adopted an incentive stock option plan in accordance with policies of TSX-V (the "Stock Option Plan") whereby the Board of Directors of the Company may from time to time, in its discretion, grant to directors, officers, employees, and consultants of the Company non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance under the Stock Option Plan shall not exceed 10% of the issued and outstanding common shares exercisable for the period of up to ten years. In addition, the number of common shares reserved for issuance to any one person shall not exceed 5% of the issued and outstanding common shares and the number of common shares reserved for issuance to any one consultant will not exceed 2% of the issued and outstanding common shares. The Board of Directors determines the price per common share and the number of common shares which may be allocated to each director, officer, employee, and consultant and all other terms and conditions of the option, subject to the rules of the TSX-V.

The following table summarizes the continuity of the Company's stock options:

	Number of options	Weighted average exercise price \$
Outstanding, August 31, 2018 and 2019	833,333	0.34
Granted	749,999	0.23
Granted	500,000	0.24
Expired	(666,667)	0.75
Outstanding, August 31, 2020	1,416,665	0.45

During the year ended August 31, 2020, the Company granted 749,999 stock options to directors and officers of the Company. The stock options were granted with a strike price of \$0.075 for two years from the date of grant February 14, 2020. The fair value of these options was determined to be \$138,842 using Black Scholes Option Pricing Model using the assumptions at the time of grant of risk free interest rates of 1.49%, expected life of 2 years, expected volatility of 190%, and a dividend rate of 0%.

During the year ended August 31, 2020, the Company granted 400,000 stock options to a consultant of the Company with a strike price of \$0.08 for six years. The options are subject to one-half vesting in six months and the remaining half vesting in twelve months. The fair value of the options was determined to be \$58,964 using Black Scholes Option Pricing Model using the assumptions at the time of grant of risk-free interest of 0.65%, expected life of 6 years, expected volatility of 165%, and a dividend rate of 0%. During the year ended August 31, 2020, the Company granted to 100,000 stock options to a director of the Company with a strike price of \$0.08 for three years. The options are subject to one-half vesting in six months and the remaining half vesting in 12 months. The fair value of the options was determined to be \$9,425 using the Black Scholes Option Pricing Model using the assumptions at the time of grant of risk free interest of 0.53%, expected life of 3 years, expected volatility of 185%, and a dividend rate of 0%.

The weighted average remaining life in years for the options is 2.57 years (2019: 0.40 years).

As at August 31, 2020, the following stock options were outstanding:

Number of options outstanding	Exercise price \$	Expiry date
166,666	2.10	November 30, 2020
749,999	0.23	February 14, 2022
400,000	0.24	April 6, 2026
100,000	0.24	April 7, 2023
1,416,665	0.45	

ESG GLOBAL IMPACT CAPITAL INC.

(formerly Block One Capital Inc.)

Notes to the Consolidated Financial Statements

Years ended August 31, 2020 and 2019

(Expressed in Canadian dollars)

11. Financial Instruments and Risks

(a) Fair Values

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's consolidated statement of financial position as at August 31, 2020 as follows:

	Fair value measurements using			Balance, August 31, 2020 \$
	Quoted prices in active markets for identical instruments (Level 1) \$	Significant other observable inputs (Level 2) \$	Significant unobservable inputs (Level 3) \$	
Cash	932,982	–	–	932,982
Investments	2,617,289	383,548	375,000	3,375,837
	3,550,271	383,548	375,000	4,308,819

The fair values of other financial instruments, which include loans receivable, accounts payable and accrued liabilities, notes payable, and amount due to a related party approximate their carrying values due to the relatively short-term maturity of these instruments.

(b) Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. Loans receivable is comprised of loans to third party companies. All investments are monitored closely by management and credit loss is limited to the carrying amount of these financial assets.

(c) Foreign Exchange and Interest Rate Risk

The Company is exposed to currency risk through the following assets and liabilities denominated in currencies other than the Canadian dollar: cash, loan receivable and prepaid expense.

August 31, 2020

	US Dollar
Cash	35,081
Loan receivable	200,000
Prepaid expense	19,225
Gross balance sheet exposure	254,306

August 31, 2019

	US Dollar
Cash	235,117
Prepaid expense	19,225
Gross balance sheet exposure	254,342

ESG GLOBAL IMPACT CAPITAL INC.

(formerly Block One Capital Inc.)

Notes to the Consolidated Financial Statements

Years ended August 31, 2020 and 2019

(Expressed in Canadian dollars)

11. Financial Instruments and Risks (continued)

A 10% strengthening of the Canadian Dollar against the US Dollar would have decreased net loss from its financial instruments presented by the amounts shown below:

	2020	2019
Gross balance sheet exposure	\$ 254,306	\$ 254,342
Foreign exchange	1.3042	1.3295
Face Value	194,990	191,307
10% of foreign exchange movement	25,431	25,434

(d) Market Risk

The Company's investments are primarily in the form of publicly traded shares and share purchase warrants of publicly traded companies, of which the market values may fluctuate.

(e) Liquidity Risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available capital in order to meet its liquidity requirements. Management maintains sufficient cash and cash equivalents to satisfy short-term liabilities in highly liquid investments.

12. Capital Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and equity comprised of issued share capital and share-based payment reserve.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remained unchanged from the year ended August 31, 2020.

13. Income Taxes

The following table reconciles the expected income tax expense (recovery) at the Canadian statutory income tax rates to the amounts recognized in the statement of operations and comprehensive loss for the period ended August 31, 2020 and 2019:

	2020	2019
	\$	\$
Net loss before tax	1,797,035	(3,811,682)
Statutory tax rate	27.0%	27.0%
Expected income tax (recovery)	485,199	(1,029,154)
Non-deductible items and other	47,371	381,373
Change in estimate	918,200	-
Change in deferred tax asset not recognized	(1,450,770)	647,781
Total income tax expense (recovery)	-	-

ESG GLOBAL IMPACT CAPITAL INC.

(formerly Block One Capital Inc.)

Notes to the Consolidated Financial Statements

Years ended August 31, 2020 and 2019

(Expressed in Canadian dollars)

13. Income Taxes (continued)

The unrecognized deductible temporary differences as at August 31, 2020 and 2019 are comprised of the following:

	2020	2019
	\$	\$
Non-capital losses carryforwards	9,306,100	7,691,261
Capital losses carryforwards	-	3,292,643
Investments	-	5,404,561
Intangible asset	1,250	1,316
Share issuance cost	63,147	260
	<u>9,370,497</u>	<u>16,390,041</u>
Total unrecognized deductible temporary differences	<u>9,370,497</u>	<u>16,390,041</u>

The Company has not recognized a deferred tax asset in respect of non-capital loss carryforwards of approximately \$9,306,100 (2019: \$7,691,261) which may be carried forward to apply against future income for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

Expiry	\$
2033	1,147,924
2034	632,258
2035	245,381
2036	283,489
2037	137,762
2038	3,923,068
2039	2,936,218
Total	<u>9,306,100</u>

14. Subsequent Events

Subsequent to August 31, 2020:

- During the year ended August 31, 2020, the Company loaned \$261,890 (USD \$200,000) to an unrelated publicly traded company (Note 5(c)). The loan is secured, bears interest at 6% per annum, and due on December 31, 2020 in either cash or common shares of the publicly traded company at the closing trading price on the date of conversion. Subsequent to August 31, 2020, the Company entered into a loan amendment agreement that extended the maturity date to June 30, 2021.
- On December 21, 2020, the Company entered into loan settlement agreement with an unrelated publicly traded company, refer to Note 5(a), to settle \$100,000 outstanding balance of the Loan by issuing Units of the public company to ESG Global Impact Capital, at a deemed price of CAD\$ 0.05 per Unit. Each Unit is comprised of one common share and one warrant, exercisable at \$0.06 per share for 12 months from December 21, 2020. For the remaining \$186,370 outstanding balance of the Loan, the borrower has issued a new promissory note to the Company. The borrower will pay back the remaining \$186,370, plus interest continued accrued at 10% per annum to the Company on March 31, 2021.
- Subsequent to year ended August 31, 2020, 166,666 stock options expired unexercised.